

MINUTES OF THE SIXTY-NINTH MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON MONDAY, OCTOBER 28, 2013 AT 05:30 P.M.

Present in Person: E. Martin, Member

Present by Telephone: T. Styles, Chair
L. Abbass, Member
T. Clift, Member
A. Hawkins, Member
K. Marshall, Member
G. Shortall, Member

Absent: E. Breen, Member

Present by Invitation: Derrick Sturge, Vice-President
Finance and Chief Financial Officer
James Meaney, General Manager
Finance, Lower Churchill Project
Craig Hippern, Manager Investment
Analysis and Financial Planning
Xeno Martis, Fasken Martineau

Secretary: W. Chamberlain

881. CONSTITUTION OF THE MEETING

Notice for the meeting was sent on October 24, 2013. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business. It was noted that Mr. Marshall was the first person on the conference call.

Messrs. Sturge, Meaney, Hippern and Martis joined the meeting.

882. SAFETY MOMENT

Mr. Sturge provided a safety moment on properly warming up your vehicle in winter before driving.

883. REQUEST FOR FINANCING

Mr. Martin reviewed the Request for Financing Recommendation Package with respect to the Muskrat Falls/Labrador Transmission Assets & Labrador Island Link Funding Trust that was circulated to Board members by email on October 28, 2013 at 4:06 p.m. He stated that the purpose is to make recommendation and seek approval of the Board to notify the financial institutions that will be the Preferred Proponent and selected as the Lead arranger with respect to the Request for Financing (RFF) of up to \$5 billion in debt financing for the Muskrat Falls/Labrador Transmission Assets and Labrador Island Link Funding Trusts.

He stated that the presentation and information to be communicated is confidential and commercially sensitive. He advised that a thorough and robust review and analysis of the RFF proposals was completed. The RFF schedule requires that the Preferred Proponent would be notified on October 29th and that the Lead Arranger Financing Commitment Letter be executed by November 5, 2013.

Mr. Sturge stated that there were three key objectives with respect to the RFF being (i) a fully underwritten debt financing commitment, (ii) price certainty since pricing is currently low and (iii) a competitive process in order to get the best deal possible. He noted that the financing was for \$5 billion and was unique in how it was presented in the RFF and it attracted a lot of interest. He stated that there were three groups of banks that put forward proposals and were successful in getting price certainty, as well as a fully underwritten commitment.

Mr. Meaney advised that this is a follow-up from the Update that was provided to the Board several weeks ago. He commenced to provide some background on the RFF noting that process commenced in May 2013 whereby seventeen major Canadian and international financial institutions were invited to participate and three groups of banking proponents submitted underwritten proposals. He noted that two best and final offer (BAFO) meetings were held with the proponents to

clarify and improve upon the terms of their proposals resulting in revised submissions. The proponents were also provided with the opportunity to review and comment on the draft key financing agreements that will form the basis of the financing arrangements.

He stated that the evaluation team included Nalcor financial and legal advisors, as well as representatives from the Provincial and Federal governments and their review examined the execution strategy and approach in the market as well as the end cost to the rate payer. He reviewed the RFF objectives including the key financing requirements of the funding vehicles and the scope of work of the Lead Arranger.

Mr. Meaney examined the importance of certainty on price and placement, noting that the consensus was that rates will likely increase in the future and there is an opportunity to lock down the price and have certainty. He stated that the Federal Loan Guarantee (FLG) provided an opportunity to use financing structures such as an upfront bond which helps to mitigate the risk by providing certainty on availability and cost of total funding requirements.

He reviewed the key submission requirements of the RFF which included a fully underwritten offer of financing for the entire amount of funding required which would be executed by means of the placement of a single or series of bonds at Financial Close and the proponents could propose an alternate financing structure and hedging program that met or was consistent with the RFF. He noted that the original proposals of the three proponents included the key requirements.

Mr. Sturge stated that the evaluation of the RFF proposals ensured that the proponents had a good execution plan in the market, such that it would not impact or be competing against Canada financings in the market and such proposals did not interfere with anticipated Canada financings.

Mr. Meaney reviewed the framework of the evaluation criteria of the RFF and the key milestones of the Financing schedule.

Mr. Abbass joined the meeting.

Mr. Sturge confirmed that the satisfaction of the FLG conditions precedent could impact the Financial closing date.

Mr. Meaney reviewed the key attributes of each of the three proposals and stated that the proposals had serial and/or bullet bond types and noted that serial bonds have staggered maturing dates and bullet bonds have sinking funds. He advised that there was a fair bit of discussion with Canada about bonds with sinking funds and the offsetting benefit for the Preferred Proponent was that there was a basket of high quality committed investments. Also the Preferred Proponent offered very competitive weighted average fees with a good spread commitment among other things.

He advised that the RFF process created competitive approach by the proponents which resulted in significant value and savings to Nalcor and ratepayers. He reviewed the RFF proposal, noting that the proposal spreads and underwriting fees were lower than anticipated and all were willing to hold their underwriting commitment and provide price certainty to differing degrees should Financial close be delayed into early 2014.

Mr. Meaney reviewed the criteria, weightings and basis of the quantitative and qualitative criteria of the RFF evaluation.

Mr. Sturge stated that Mr. Hippern lead the evaluation of the quantitative evaluation which included certainty of placement, certainty of pricing and NPV of financing structure.

Mr. Meaney reviewed the results of the RFF evaluation and advised that the Toronto-Dominion and Goldman, Sachs & Co. were the clear choice as the Preferred Proponent. Accordingly, Mr. Meaney advised that Management recommends that Nalcor would notify the proponent Toronto-Dominion and Goldman, Sachs & Co. as the RFF Preferred Proponent in order to finalize the Lead Arranger Commitment Letter with them by November 5, 2013.

Mr. Martin advised that a meeting is scheduled with Emera regarding DG3 costs and that a group for lower rates in Nova Scotia has asked the UARB to extend the schedule with respect to the Emera application and if granted, could have an impact on the date of Financial close.

Mr. Sturge advised that the Financing Commitment Letter does not have to be negotiated as it was included in the Preferred Proponent's RFF proposal.

On motion duly made by Mr. Shortall, seconded by Mr. Martin and unanimously carried, it was resolved:

THAT the Management is hereby authorized to notify the Toronto-Dominion Bank and Goldman, Sachs & Co. that they will be the Preferred Proponent under the Muskrat Falls/Labrador Transmission Assets and the Labrador Island Link Funding Trusts Request for Financing and to execute the Financing Commitment Letter with such parties materially consistent with the terms and conditions in presentation to the Board of Directors at its meeting on October 28, 2013.

884.

OTHER BUSINESS

There was no other business.

885.

TERMINATION

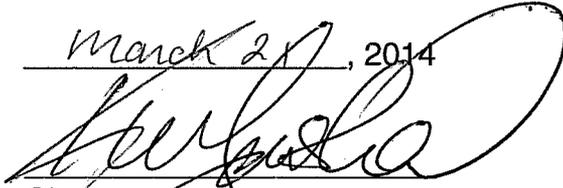
There being no further business, the meeting was terminated.

69th Nalcor Energy Board Meeting
October 28, 2013
Page 6 of 6


Secretary

Verified at a meeting held on

March 27, 2014


Chairperson